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ICMA RETIREMENT TRUST

A RETIREMENT INVESTMENT GUIDE FOR THE MUTUAL FUND SERIES

November 1, 1995

ICMA RETIREMENT TRUST
C/O ICMA RETIREMENT CORPORATION
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MUTUAL FUND SERIES

The ICMA Retirement Trust ("Trust") offers commingled funds for investment by deferred compensation plans and retirement plans established under Section 457 and Section 401 of the Internal Revenue Code and administered by the ICMA Retirement Corporation (the Retirement Corporation) exclusively for Public Employers and their employees. Employees ("Participants") are entitled to allocate their portion of the plan(s) to one or more of the Funds offered by the Trust. The Retirement Corporation is retained as investment adviser by the Retirement Trust and actively manages a group of funds for the Trust. In addition to the managed funds, the Trust offers the Mutual Fund Series, which is a group of segregated accounts. Each of the segregated accounts consists of the shares of a single designated mutual fund that are acquired, held and redeemed by the Trust only in response to Participant investments and withdrawals from the account. This *Retirement Investment Guide* is designed for Participants considering investment in one or more segregated accounts in the Mutual Fund Series. A different *Retirement Investment Guide* is available for investment in other funds offered by the Trust and should be consulted by those considering investment in those funds.

Ten segregated accounts are offered in the Mutual Fund Series, each consisting of the shares of a mutual fund selected to offer a distinct investment strategy. The Mutual Fund Series expands and complements the managed funds offered by the Trust. The strategies, in order of general market risk (highest to lowest) within the Series, are listed in two groups below.

Mutual Fund Series

Series/Aggressive Growth, invests in the Putnam Voyager Fund (Class A Shares)
Series/Growth, invests in the Fidelity Blue Chip Growth Fund
Series/Growth and Income, invests in the Fidelity Growth and Income Portfolio
Series/Value, invests in the Gabelli Value Fund
Series/Flexible, invests in the Fidelity Puritan® Fund
Series/Income, invests in the Lindner Dividend Fund

THE FOLLOWING FUNDS OPEN FOR INVESTMENT ON JANUARY 1, 1996

Series/Momentum Growth invests in 20th Century Ultra
Series/Capital Appreciation invests in Fidelity Magellan®
Series/Contrarian Growth invests in Fidelity Contrafund
Series/Balanced invests in Vanguard Wellington

The Retirement Corporation makes a range of services available for Public Employer plans, including (i) plan administration services, including record keeping and reporting; (ii) enrollment services through ICMA-RC Services, Inc. ("RC Services"), a wholly-owned broker-dealer subsidiary of the Retirement Corporation; and (iii) investment funds and accounts through the Trust. The Trust is an instrumentality of state and local governments that obtain retirement plan administration and related services from the Retirement Corporation.

The Retirement Corporation has managed retirement plan assets since 1972, and has served as investment adviser to the Trust since the Trust was established in 1983 (see "Description of the ICMA Retire-

ment Corporation" and "Description of the Retirement Trust"). The Trust now invests approximately $4.5 billion in retirement and deferred compensation plan assets for approximately 4,400 Public Employers.

This document is not a prospectus. Prospectuses for the mutual funds held in the segregated accounts in the Mutual Fund Series are available upon request from RC Services. This *Retirement Investment Guide* should be retained for future reference. It may be supplemented or replaced at some future date.

FEES AND EXPENSES FOR THE MUTUAL FUND SERIES

Each Public Employer enters into an Administrative Services Agreement with the Retirement Corporation for administration of its Plan. The Agreement normally provides for payment to the Retirement Corporation of a standard plan administration fee at a rate of 0.90% of average account balance per year, and a standard annual account maintenance fee of $18.00 for 457 plans and $25.00 for 401 plans. In addition, investors in the Mutual Fund Series are assessed an annual mutual fund services fee at a rate of 0.10% of average account balance per year. These fees are negotiable in special circumstances.

The plan administration and mutual fund services fees are calculated daily based on the prior day's ending net asset balance in each Mutual Fund Series segregated account, and are deducted as part of the calculation of fund NAV. The annual account maintenance fee is deducted from Participant accounts on January 1 of each calendar year or, in the case of accounts established during the year, in a pro rata amount, on the first day of the calendar quarter following establishment.

Other expenses associated with investment in the Mutual Fund Series segregated accounts are expenses incurred by the mutual funds themselves. The expenses are charged against the mutual fund assets, not the Mutual Fund Series segregated accounts, and are taken into consideration in computing the net asset value of the shares of the mutual funds. There are no sales loads or other fees paid by the Retirement Trust or any Mutual Fund Series segregated account to the mutual funds or to any distributor of their shares.

Neither the Retirement Corporation nor the Trust imposes any sales charge on the purchase of interests in the Mutual Fund Series, any minimum annual plan fee, any deferred sales charge, any transfer fee, or any disbursement fee. There may be a charge for disbursements transmitted by wire.

The Retirement Corporation may receive fees or other payments from mutual funds included in the Mutual Fund Series to compensate the Retirement Corporation for subaccounting and other related services. Such payments from mutual funds are credited to the appropriate segregated account in the Mutual Fund Series, resulting in a reduction of costs to Participants.

Summary of Mutual Fund Series Fees and Expenses

ANNUAL PLAN FEES PAID TO THE RETIREMENT CORPORATION

Plan Administration Fee	0.90% of account balance
Account Maintenance Fee	$18.00 per Participant for 457 plans $25.00 per Participant for 401 plans
Mutual Fund Services Fee	0.10% of account balance

ANNUAL MUTUAL FUND EXPENSES* (as a percentage of fund average net assets)

	Management Fee	Other Expenses	Total Expenses
Series/Aggressive Growth			
Putnam Voyager Fund	0.55%	0.55%+	1.10%
Series/Growth			
Fidelity Blue Chip Growth Fund	0.69%	0.33%	1.02%
Series/Growth and Income			
Fidelity Growth & Income Portfolio	0.52%	0.25%	0.77%
Series/Value			
Gabelli Value Fund	1.00%	0.50%+	1.50%
Series/Flexible			
Fidelity Puritan® Fund	0.52%	0.25%	0.77%
Series/Income			
Lindner Dividend Fund	0.52%	0.09%	0.61%
THE FOLLOWING FUNDS WILL OPEN FOR INVESTMENT ON JANUARY 1, 1996:			
Series/Momentum Growth			
20th Century Ultra	1.00%	—	1.00%
Series/Capital Appreciation			
Fidelity Magellan®	0.75%	0.21%	0.96%
Series/Contrarian Growth			
Fidelity Contrafund	0.70%	0.30%	1.00%
Series/Balanced			
Vanguard Wellington	0.32%	0.03%	0.35%

* These expenses are charged against mutual fund assets and are not direct charges against the segregated accounts in the Mutual Fund Series. Expenses are deducted in computing each mutual fund's net asset value which, in turn, determines the share price used to calculate the unit value of interests in the segregated accounts in the Mutual Fund Series. Data in the table are derived from the most current prospectus for each mutual fund as of October 1, 1995, and are inclusive of discounts negotiated by the Retirement Corporation. These amounts can be expected to vary from year-to-year.

\+ Includes a 12b-1 fee of 0.25%. 12b-1 fees paid to the Retirement Corporation will be credited to the segregated account, resulting in lower costs to Participants. See "Fees and Expenses for the Mutual Fund Series".

EXAMPLE OF PARTICIPANT PLAN FEES AND FUND EXPENSES EXPRESSED IN DOLLAR AMOUNTS

The following example illustrates the fees and expenses that would be paid on a hypothetical $1,000 investment in the Mutual Fund Series over various time periods assuming: (1) continuation into future years of expenses at the level set forth in the foregoing table; (2) an annual plan administration fee of 0.90%, and a mutual fund services fee of 0.10%; (3) a 5% annual return; and (4) redemption at the end of each time period shown. There are no purchase or redemption fees of any kind. This example should not be considered a representation of past or future expenses. Actual expenses may be greater or lesser than those shown.

Example of Participant Plan Fees and Fund Expenses

(per $1,000 investment)

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
PLAN EXPENSES				
Plan Administration Fee	$9	$29	$50	$111
Mutual Fund Services Fee	1	3	6	13
Account Maintenance Fee+	-	-	-	-
ANNUAL MUTUAL FUND EXPENSES				
Series/Aggressive Growth				
Putnam Voyager Fund*	$9	$27	$47	$105
Series/Growth				
Fidelity Blue Chip Growth Fund	10	33	57	125
Series/Growth and Income				
Fidelity Growth & Income Portfolio	8	25	43	96
Series/Value				
Gabelli Value Fund*	13	40	69	152
Series/Flexible				
Fidelity Puritan® Fund	8	25	43	96
Series/Income				
Lindner Dividend Fund	6	20	34	76
THE FOLLOWING FUNDS WILL OPEN FOR INVESTMENT ON JANUARY 1, 1996:				
Series/Momentum Growth				
20th Century Ultra	10	32	55	123
Series/Capital Appreciation				
Fidelity Magellan®	10	31	53	118
Series/Contrarian Growth				
Fidelity Contrafund	10	32	55	123
Series/Balanced				
Vanguard Wellington	4	11	20	44

\+ The account maintenance fee is not shown, since it is not related to the amount of assets in any Participant account.

* Assumes the fund's 12b-1 fee is credited to the segregated account in full.

THE RETIREMENT CORPORATION

The Retirement Corporation is a Delaware not-for-profit corporation initiated with start-up grants and loans from the Ford Foundation and the International City Management Association (ICMA) in 1972. It was established to administer retirement plans exclusively for state and local governments and their agencies and instrumentalities.

The Retirement Corporation is governed by a seven-member Board of Directors selected by the Executive Board of ICMA. The Retirement Corporation is headquartered at 777 North Capitol Street, NE, Suite 600, Washington, D.C. 20002-4240, and has five regional and several area offices throughout the United States. The principal business of the Retirement Corporation is the management of retirement plans. It has approximately 340 employees. The Retirement Corporation has served as investment adviser to the Retirement Trust since the Retirement Trust was formed in 1983.

THE RETIREMENT TRUST MUTUAL FUND SERIES

The Retirement Trust currently offers 21 investment choices to Public Employers and their plan Participants. The Mutual Fund Series comprises ten of those choices. Each is a segregated account investing solely in the shares of a single designated mutual fund.

In light of market demand and considerations relating to other investment choices made available by the Trust, the Retirement Corporation has recommended, and the Trust has decided, that the Mutual Fund Series should include ten different investment categories as listed directly below. From the universe of mutual funds within these categories, the Retirement Corporation has reviewed a substantial number and has recommended specific funds for inclusion in the Mutual Fund Series. The Trust has accepted those recommendations.

The investment categories of the ten segregated accounts in the Mutual Fund Series and the mutual funds and their objectives selected for each are as follows:

Aggressive Growth offers the potential to receive high, long-term growth of capital through investment primarily in small-to-midsized companies, including foreign companies. The mutual fund selected for this segregated account is Putnam Voyager Fund, which may be appropriate as an above-average risk component of an investor's overall allocation to equities in a well-diversified investment portfolio.

Growth offers the potential to achieve long-term growth of capital by investing primarily in a diversified portfolio of common stocks of well-known and established companies. The mutual fund selected for this segregated account is Fidelity Blue Chip Growth Fund. Volatility of returns can be expected to exceed that of the general equity market.

Growth and Income attempts to achieve a combination of growth and an income yield greater than the broad stock market by investment in dividend-paying equity and sometimes bond investments. The mutual fund selected for this segregated account is Fidelity Growth and Income Portfolio, which is managed for total return by investing in both domestic and foreign securities, and by shifting emphasis from income to growth depending on valuation levels in the market.

Value offers the potential to achieve long-term growth in capital by investing primarily in equity securities of companies that the investment adviser perceives to be selling at prices substantially below their intrinsic market value. The mutual fund selected for this segregated account is the Gabelli Value Fund, whose aggressive investment style can result in a relatively undiversified, very concentrated portfolio, and whose returns may vary significantly from those of the broad equity market.

Flexible seeks to achieve high current income while

preserving capital. The mutual fund selected for this segregated account is Fidelity Puritan® Fund, which attempts to achieve its objective by investing in a broadly diversified portfolio consisting primarily of high yielding stocks and bonds of U.S. and foreign companies, including securities issued in emerging markets. Allocation between stocks and bonds is based on relative valuation levels, and the fund does not commit to remain balanced between assets classes. The fund does not currently intend to invest more than 35% of fund assets in debt securities rated below investment grade.

Income seeks to achieve total return through a defensive portfolio of income-producing common stocks, preferred or convertible preferred stocks, corporate bonds, including high-yield ("junk") bonds or other debt instruments. The mutual fund selected for this segregated account is the Lindner Dividend Fund, whose primary objective is current income.

The following funds, which each invest in a single mutual fund, open for investment on January 1, 1996:

Momentum Growth seeks capital growth over time by investing primarily in common stocks considered by the mutual fund manager to have better-than-average prospects for appreciation. The mutual fund selected for this segregated account is Twentieth Century's Ultra Investors Fund which may be an appropriate investment as part of a diversified portfolio for aggressive investors with a long term outlook. The fund's aggressive investment strategy tends to increase both its share price volatility and its growth potential over time.

Capital Appreciation seeks capital appreciation through a diversified portfolio of equity securities. The mutual fund selected for this segregated account is Fidelity Magellan® Fund which may be an appropriate investment as part of a diversified portfolio for investors who are willing to ride out stock market fluctuations in pursuit of potentially high long-term returns.

Contrarian Growth seeks capital appreciation by investing mainly in the common stock of companies that are undervalued or out-of-favor. The mutual fund selected for this segregated account is Fidelity Contrafund which provides the opportunity to invest in undervalued turnaround-type stocks with significant growth potential. The fund may be appropriate for investors who are willing to ride out stock market fluctuations in pursuit of potentially high long-term returns.

Balanced seeks conservation of principal, a reasonable income return, and profits without undue risk. The mutual fund selected for this segregated account is the Vanguard Wellington Fund, which invests in a diversified portfolio of common stocks and bonds. While the fund is exposed to market risk, it is expected that by maintaining a balance among common stocks and bonds, the fund will provide lower investment risk (and a lower long-term total return) than a fund which invests exclusively in common stocks.

Prospectuses for Each Mutual Fund

The foregoing summaries are not complete descriptions of the mutual funds in the Mutual Fund Series. You should consult the appropriate mutual fund prospectus before you invest.

Prospectuses for each of the mutual funds in the Mutual Fund Series may be obtained by contacting RC Services at 1-800-669-7400 or by writing to RC Services at the following address:

ICMA-RC Services, Inc.
Mutual Fund Series
c/o The ICMA Retirement Corporation
777 North Capitol St., , N.E., Suite 600
Washington, DC 20002-4240

OPERATION OF THE MUTUAL FUND SERIES

Summary

The Series mutual funds are not offered for sale directly by the Retirement Trust. The Trust offers units of interest in segregated accounts. Amounts invested in those accounts, net of fees, are invested in shares of the designated mutual funds.

This is not a prospectus for the mutual funds. Prospectuses may be obtained from RC Services. (See "The Retirement Trust Mutual Fund Series".)

Participant account information may only be obtained directly from the Retirement Corporation, and cannot be obtained from the underlying mutual funds in the Mutual Fund Series.

Other important information concerning the operation of the Mutual Fund Series is found under the heading "Investing in the Retirement Trust."

Nature of the Mutual Fund Series

Each Mutual Fund Series segregated account is a non-discretionary investment arrangement; a segregated account will be invested only in the shares of an identified mutual fund. Investors do not purchase mutual fund shares; they purchase interests in segregated accounts that in turn are used to buy shares of identified mutual funds. Ownership in segregated accounts will be expressed as "units" having dollar values. Day-to-day responsibility for portfolio security selection rests with the investment advisers for the mutual funds purchased by the segregated accounts.

Unlike the active management it provides to other Funds maintained by the Trust, the Retirement Corporation will exercise no discretion with respect to the investment of segregated accounts in the Mutual Fund Series. Dividends paid on mutual fund shares will be reinvested in the mutual fund unless required to defray current cash requirements of the segregated account. Except in the case of termination, discussed below, the Trust will redeem shares in the mutual fund to defray expenses chargeable to the segregated account and to obtain cash to fund withdrawals from the account, but not otherwise.

Selection, Monitoring and Deselection of Mutual Funds

Responsibility for selecting and monitoring mutual funds in the Mutual Fund Series rests with the Investment Division of the Retirement Corporation headed by Ms. Cynthia A. Hargadon, Senior Vice President and Chief Investment Officer, who reports to Girard Miller, CFA, President and Chief Executive Officer of the Retirement Corporation, subject to overall supervision and regular periodic review by the Retirement Corporation's Board of Directors, and its Board Investment Committee. Ultimate authority for the composition of the Mutual Fund Series rests with the Trustees of the Retirement Trust.

The Retirement Corporation will monitor the performance of the selected mutual funds and, if circumstances warrant, may recommend to the Retirement Trust that one or more of the funds is no longer a suitable investment for the Trust. In that event the Trust may cease accepting contributions, transfers or rollovers into the segregated account in which the mutual fund is held. However, the Retirement Trust will continue to reinvest dividends and capital gains and will not redeem its investment in the mutual fund chosen for a particular segregated account except to obtain cash for withdrawals from the segregated account or to defray expenses chargeable to the account.

Investors in an account closed to new investment may choose to retain all or a portion of their investment in the closed account or, instead, transfer all or a portion of their position to other investment options offered by the Retirement Trust. Investors in a closed segregated account should be aware that the decision to retain an interest in the designated mutual fund through the segregated account is their responsibility and not that of the Retirement Corporation or the Trust.

Termination of Particular Accounts in the Mutual Fund Series

The Retirement Trust retains discretion to terminate particular segregated accounts in the Mutual Fund Series on advance notice to investing Participants. The Trust does not expect to exercise this discretion simply because a segregated account is closed to new investment. The Trust will terminate an account if the costs of maintaining the account exceed related fees, or if the mutual fund in question changes the terms of its offering to impose a sales charge, or if other circumstances render administration of the account impractical on terms substantially comparable to those described herein.

Pricing of Units

Units in each segregated account in the Mutual Fund Series are available for purchase and sale each day at a price based upon the net asset value of the account as of the close of business on that day. The net asset value is computed by reference to the price for shares of the mutual fund in which the segregated account is invested at the close of business on that day. However, while investor orders to purchase or to redeem units that are received in good order by the Trust are accepted at the unit price computed at the end of the day, the corresponding transaction with the mutual fund may, in some cases, not occur until the next business day (or, in extraordinary cases, thereafter.) See "Variations in Net Asset Value," directly below. In that event, the share price on the transaction with the mutual fund can differ from the mutual fund share price used to compute the unit price paid or received by an investor for units in the segregated account. Any difference between the price paid or received by an investor for a unit and the price paid or received by the segregated account for shares in the underlying mutual fund will be absorbed by the segregated account. The effect of the difference, be it a gain or a loss, will be shared by all investors in the account on the day the transaction with the mutual fund is effected.

Variations in Net Asset Value

The net asset value of units in a segregated account in the Mutual Fund Series will not be the same as the net asset value of the mutual fund shares in which the segregated account is invested. Units represent a share in the account and, initially, those shares will be assigned an arbitrary value that is different from the net asset value of the shares in the underlying mutual fund.

Moreover, certain transactions will affect unit values but will not affect net asset values of the underlying mutual funds. For example, asset-based fees charged by the Retirement Corporation will be accrued against the segregated accounts on a daily basis. In addition, delays in executing orders may result in mutual fund shares being purchased at a price different from that used to establish the price of the corresponding transaction in units. See "Operation of the Mutual Fund Series—Pricing of Units," directly above.

In particular, in unusual market conditions or in other circumstances that cause an unexpectedly large volume of transaction requests, mutual funds may delay purchases or redemptions. In such cases, transactions between a particular segregated account and its underlying mutual fund will be correspondingly delayed, and the difference between the price used for a transaction in units of the segregated account and the corresponding transaction in shares of the underlying mutual fund may be substantial. The effect of the price difference, be it a gain or a loss, will be shared by all investors in the applicable segregated account on the day the transaction with the mutual fund is effected.

In addition, these delays may affect transfers (i.e., a redemption and a subsequent purchase) among the segregated accounts in the Mutual Fund Series or between the Mutual Fund Series and the other Funds in the Trust. In such event, a requested transfer will only be completed once the mutual fund effects the requested redemptions and subsequent purchases.

Voting

Participants will not vote the shares of the mutual funds held in the Mutual Fund Series. The Retirement Trust, acting with the advice of the Retirement Corporation, will be empowered to vote the shares.

ARRANGEMENTS BETWEEN THE RETIREMENT CORPORATION AND THE RETIREMENT TRUST

The Board of Trustees of the Retirement Trust has retained the Retirement Corporation to manage the assets of the Trust. Terms of the management arrangement and related arrangements are set forth in a Master Agreement that is subject to renewal on an annual basis and terminable on 60-days' notice at any time by the Retirement Trust.

With respect to the Mutual Fund Series, the Master Agreement provides that the Retirement Corporation will (i) conduct a due diligence process and recommend to the Trust mutual funds to be offered in the Mutual Fund Series, (ii) negotiate purchase and other administrative arrangements with selected mutual funds, (iii) monitor performance of the mutual funds in the Series and (iv) pay all Trust operating costs that result from inclusion of the Mutual Fund Series in the Trust. In exchange, the Trust agrees that RC will be paid a mutual fund services fee by each segregated account at an annual rate of 0.10% (10 basis points) of average net assets, computed daily.

As regards funds offered by the Trust other than the Mutual Fund Series, the Retirement Corporation provides operational support to the Trust and, as a result, incurs costs for which the Trust reimburses the Retirement Corporation. However, no such reimbursement will be made regarding the Mutual Fund Series.

DESCRIPTION OF THE RETIREMENT TRUST

Purpose

The Retirement Trust permits commingled investment of the assets of retirement plans administered by the Retirement Corporation and thereby facilitates efficient investment management of retirement accounts with similar investment objectives. The Trust is controlled by Public Employers and permits those employers to provide, through the Trust, investment management and supervision that otherwise would have to be obtained through commercially-oriented financial institutions.

Organization

The Retirement Trust is a District of Columbia common law trust created in 1983 by a Founders Committee consisting of representatives of Public Employers that were expected to participate in the Retirement Trust. The Retirement Trust is governed by a nine-member Board of Trustees, five of whom must be full-time employees of Public Employers, two of whom, at the time of election, must be Directors of the International City/County Management Association, and two of whom, at the time of election, must be Directors or former Directors of the Retirement Corporation. The Trustees are elected by Public Employers that have adopted the Retirement Trust, each Public Employer having one vote.

Under trust law principles, legal title to property in the Retirement Trust rests with the Trustees of the Retirement Trust. The portion of the Trust property allocable to the Section 401 qualified plans is held for the Public Employer trustees of those plans for the exclusive benefit of the qualified plan participants and beneficiaries. Public Employers are the beneficial owners of the portion of the Trust property allocable to Section 457 plans.

The Trustees are responsible for investing Retirement Trust property, overseeing the operations and administration of the Retirement Trust, and supervising and reviewing the performance of the Retirement Corporation as the investment manager.

Exemption from Registration under Federal Securities Laws

The Retirement Trust issues interests in the Trust without registration under the Securities Act of 1933, as amended, relying upon the exemption from registration available to securities issued by public instrumentalities under Section 3(a)(2) of that Act. The Retirement Trust operates without registration as an investment company under the Investment Company Act of 1940, as amended, relying upon the exemption from registration available to governmental instrumentalities under Section 2(b) of that Act. In reaching the conclusion that registration is not required, the Retirement Trust relies upon a 1983 no-action letter from the staff of the Securities and Exchange Commission, which was supplemented in 1986.

Federal Tax Status

Sections 501(a), 401(a), and 401(a)(24) of the Internal Revenue Code of 1986, ("the Code") as amended, provide that a group trust for the commingled investment of monies of qualified plans and other plans of governmental units is itself exempt from taxation. The Retirement Trust is a group trust for the commingled investment of such plans, and the Retirement Trust takes the position that it is exempt from federal income tax under such provisions. The Retirement Trust has not sought a ruling from the Internal Revenue Service to that effect.

Under Section 457 of the Code, the amounts deferred under an eligible state or local government deferred compensation plan and the accumulated investment earnings thereon are not subject to Federal income tax until such amounts are actually received by or made available to the participating employee. Amounts deferred under a Section 457 plan on behalf of an employee are subject to Social Security tax in the same manner as taxable wage payments.

Public Employer contributions to qualified plans under Section 401(a) of the Code (including Participant elective deferrals under Section 401(k) plans), as well as earnings on all contributions to such plans, are subject to income tax only when actually received. Public Employer contributions (but not Participant elective deferrals under Section 401(k) plans) are exempt from Social Security tax.

Participation Only By Eligible Plans

Public Employers desiring to participate in the Retirement Trust must adopt the Declaration of Trust of the ICMA Retirement Trust in order to be eligible to invest in the Retirement Trust.

The Retirement Trust is open for investment from plans meeting the requirements of Section 457 or Section 401 of the Code. Section 401 plans may include money purchase plans, defined benefit plans, and profit-sharing plans. Requirements of the Code may affect amounts that can be invested in plans and withdrawal of such amounts. Those requirements could apply to amounts invested in the Retirement Trust.

Resignation or Removal of the Retirement Corporation

The agreements under which the Retirement Corporation provides retirement plan administration services typically provide that the Public Employer is empowered to remove the Retirement Corporation as administrator on 60-days' notice, and that the Retirement Corporation is empowered to resign as administrator on 60-days' notice. In the event of removal or resignation of the Retirement Corporation, assets administered for the Public Employer invested in the Mutual Fund Series are valued and disbursed as of the last business day of the month in which removal or resignation is to become effective.

Commitment to Honor Participant Investment Directions

Unless an Employer restricts the number of funds available for investment, Participants may allocate their salary deferrals or retirement funds among any one or more of the 21 funds open for investment, including the segregated accounts in the Mutual Fund Series described in this Guide and the other Funds offered by the Retirement Trust described in *Making Sound Investment Decisions: A Retirement Investment Guide*. The Retire-

ment Trust and the Retirement Corporation will honor such Participant investment directions, so long as it remains plan administrator.

Under certain circumstances, the Retirement Corporation may resign or be removed as administrator of a Plan, with the consequence that assets invested are distributed to the Employer or a successor administrator in accordance with the terms indicated above under "Resignation or Removal of the Retirement Corporation". The investment terms available from the Employer's new administrator may differ from those of the Retirement Trust.

Moreover, with respect to Section 457 plans, Section 457 of the Code requires that all amounts of compensation deferred, and all income attributable to such amounts, remain solely the property of the Employer, subject to the claims of general creditors of the Employer. Nonetheless, the Retirement Trust and the Retirement Corporation consider it a fundamental policy that Participant investment directions be honored. Public Employers, through their participation in the Retirement Trust, demonstrate to their employee Participants an unequivocal intention to honor the investment directions of those Participants and not to withdraw funds and use them in a manner inconsistent with those directions.

INVESTING IN THE RETIREMENT TRUST

Adoption of the Trust

Public Employers enter into an Administrative Services Agreement with the Retirement Corporation and adopt the Declaration of Trust of the Retirement Trust so as to become eligible to invest retirement plan assets in the Retirement Trust. Adoption of the Retirement Trust is normally effected by resolution of the Employer's legislative body, or its investment committee or board of trustees, as the case may be. Participation in the Retirement Trust is open only to a unit of state or local government, or any agency or instrumentality thereof. Upon adoption of the Declaration of Trust, the Employer becomes eligible to vote for Trustees of the Trust.

Unit Accounting for the Mutual Fund Series

Investments in the Mutual Fund Series are accounted for by the number of units held by each Participant. The units represent a proportional ownership interest in a segregated account. The Retirement Trust does not issue share certificates.

The worth of a unit in a segregated account in the Mutual Fund Series is known as its net asset value ("NAV"). The NAV of a unit is determined at the close of each business day by adding the value of all of the investments of the segregated account, plus cash and other assets, deducting liabilities, and then dividing the result by the number of outstanding units as of the end of the prior day and rounding the results to the nearest cent. The value of an investment position equals the number of units held multiplied by the current day's NAV.

Since unit values will fluctuate, a transfer or disbursement will normally result in a Participant recognizing a gain or a loss.

Reinvestment of Earnings

All earnings distributed by mutual funds to the segregated accounts in the Mutual Fund Series (dividends and capital gains) are reinvested, and are reflected in the NAV.

Reporting to Participants

Participants will receive quarterly financial reports from the Retirement Corporation which will provide a full accounting of quarterly activity. The report will include beginning and ending balances, earnings and losses, a summary of transactions in the Participant's account, a presentation of overall investment allocations, a loan report (if applicable), and current vesting status (if applicable). Participants will also receive an Annual Financial Summary with their fourth quarter report.

Contributions, Transfers, Allocations and Disbursements

(For purposes of the following discussion, "Business Day" means any day the New York Stock Exchange is open for business.)

Contributions, Transfers and Allocations:

Employers may submit contributions to the Retirement Trust as often as weekly. Contributions may be transmitted by check, wire, and Automated Clearing House. Contribution detail must be submitted on hardcopy, diskette, magnetic tape, or transmitted electronically. Unless an Employer indicates otherwise, Participants may submit transfers daily in writing or by telephone. Contributions and transfers designated for an account in the Mutual Fund Series received in good order by 4:00 p.m. Eastern Time are posted to Participant accounts at the closing NAV of that day. If the day of receipt is not a business day, the amounts are posted at the closing NAV of the next business day. Amounts received in good order after 4:00 p.m. Eastern Time are posted at the closing NAV of the next business day.

Assets designated for investment in the Series/Aggressive Growth and Series/Value accounts will be invested in the underlying mutual fund at the mutual fund price in effect on the same day the assets are received in good order. Amounts received after market close will be invested on the following business day at the closing market price for that following day.

Assets designated for investment in the rest of the segregated accounts in the Mutual Fund Series will be invested in the underlying mutual fund on the business day following receipt at the price in effect on that day. See "Mutual Fund Series: Pricing of Units" and, in the same section, "Variations in Net Asset Value," for a discussion of the treatment of gains and losses that occur between receipt and investment.

Posting of contributions to Participant accounts is contingent upon submission of contributions in good order to the Retirement Trust. This means that contribution submittals must be accompanied by sufficient detail to enable the Retirement Corporation to allocate properly contributions to Participant accounts. If a contribution is not received in good order, the deposit is held in a non-interest-bearing account (or in accordance with different holding arrangements specified by the Employer) until all necessary information is received. If a transfer instruction is not received in good order, assets will not be removed from their present accounts until necessary information is received.

Assets received for Participant accounts for which investment instructions are insufficient to permit allocation among investment options will be invested per Employer instructions.

Participants may give standing instructions for allocation of new contributions among the investment options. Standing instructions may be changed by Participants without charge or limitation.

Participants should verify the accuracy of transfers or allocations immediately upon receipt of the confirmation notice.

Telephone Transfers

Unless an Employer instructs otherwise, Participants may make daily Fund transfers through the Automated Service Line ("ASL") or by directly talking to an associate at the Retirement Corporation. RC will require that instructions received through the ASL be accompanied by a Personal Identification Number. In addition, verbal instructions given to a Retirement Corporation associate will be accepted upon verification of Participant identity; such instructions are tape recorded to verify accuracy. Written confirmations will normally be sent to Participants on the business day following the day the transactions occur. Participants should verify the accuracy of telephone transfers immediately upon receipt of the confirmation notice.

SECTION 401 PLAN DISBURSEMENTS

Disbursements to Participants may be made, in accordance with the plan document, at the times and in the circumstances allowable under the Internal Revenue Code. Disbursements, other than hardship withdrawals or loans, are normally made on the business day imme-

diately preceding the last business day of the month in which the request is received. For processing reasons, the disbursement occurs at the NAV in effect on the third business day preceding the date of disbursement.

Please note that the Internal Revenue Service requires certain Section 401 plans to provide a 30-day notice period for spousal consent prior to commencement of disbursement. Because of this rule, disbursement could be delayed until the month following the month in which the request is received.

Participants invested in one or more of the segregated accounts in the Mutual Fund Series who request disbursement should be aware that their unit values will remain subject to changing market conditions pending disbursement. Participants may wish to transfer assets into a fund of the Trust less exposed to market risk while the disbursement request is pending.

Absent contrary instructions, disbursement requests are withdrawn pro-rata from all accounts or funds in which the Participant is invested.

SECTION 457 PLAN DISBURSEMENTS

Disbursements to Participants may be made, in accordance with the plan document, at the times and circumstances allowable under the Internal Revenue Code. Under the terms of the Retirement Corporation's standard plan document, no Participant may receive a disbursement (other than an emergency withdrawal) until 60 days have elapsed following the date of separation from service. Once the 60-day period has expired, disbursements are normally made on the last business day of the month in which the request is processed. For processing reasons, the disbursement occurs at the NAV in effect on the fifth business day preceding the date of disbursement.

All Participant withdrawals are subject to Employer approval and, in the event of Employer insolvency, may be delayed or prevented as a result of bankruptcy proceedings.

Participants invested in one or more of the segregated accounts in the Mutual Fund Series who request disbursement should be aware that their unit values will remain subject to changing market conditions pending disbursement. Participants may wish to transfer assets into a fund of the Trust less exposed to market risk while the disbursement request is pending.

Absent contrary instructions, disbursement requests are withdrawn pro-rata from all accounts or funds in which the Participant is invested.

SPECIAL CIRCUMSTANCES DELAYING OR SUSPENDING TRANSACTIONS

In severe market conditions or other extraordinary circumstances, mutual funds may delay or suspend acceptance of orders for investment, transfer or redemption. In such a case, transactions by the applicable Mutual Fund Series in question will be correspondingly delayed. See "Operation of the Mutual Fund Series—Variations in Net Asset Value."

AUTOMATED SERVICE LINE

The Retirement Corporation maintains an Automated Service Line (ASL) for the benefit of Participants who have access to touch-tone telephones. Information available from the ASL includes account balances, investment allocation, NAV, and investment performance. The phone number is 1-800-669-7400.

Telephone transfers may be made through the ASL or by directly talking to an associate at the Retirement Corporation (see "Telephone Transfers").

RateLine Service

Performance information is always available from the Client Services Division of the Retirement Corporation during business hours. In addition, a pre-recorded message is available 24 hours a day to give current performance and rate information. The toll-free RateLine number is 1-800-669-7400.

ICMA-RC SERVICES, INC.

ICMA-RC Services, Inc., a wholly-owned subsidiary of the Retirement Corporation, is registered as a broker-dealer with the SEC and is a member in good standing of the National Association of Securities Dealers ("NASD"). RC Services solicits investment by Public Employer retirement plans and their plan Participants in the Funds of the Retirement Trust, including the Mutual Fund Series. ICMA-RC Services, Inc. does not charge separately for its services, and the costs of ICMA-RC Services, Inc. are absorbed by the Retirement Corporation. The compensation of personnel of ICMA-RC Services, Inc. may include performance-based compensation.

ADDITIONAL INFORMATION

Important Separation from Service Information for 457 Plan Participants Only:
There may be certain important and irrevocable decisions regarding the payment of a Participant's account (either immediate or future) that must be made within 60 days of the date Participants leave the service of their Employer. Individuals who are contemplating leaving or who have left employment should immediately contact the ICMA Retirement Corporation at 1-800-669-7400 and request the *457 Participant Withdrawal Packet*. This publication will provide details regarding all requirements, restrictions and procedures associated with withdrawals.

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